

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 5578-03  
Bill No.: HCS for HB 2314  
Subject: Retirement - Schools; Saint Louis City  
Type: Original  
Date: May 9, 2016

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Bill Summary: This proposal modifies several provisions relating to the Public School Retirement System of St. Louis.

**FISCAL SUMMARY**

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on General Revenue</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>Other</u> State Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 5 pages.

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Total Estimated Net Effect on FTE</b>	<b>0</b>	<b>0</b>	<b>0</b>

☐ Estimated Net Effect (expenditures or reduced revenues) expected to exceed \$100,000 in any of the three fiscal years after implementation of the act.

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2017	FY 2018	FY 2019
<b>Local Government</b>	<b>\$0</b>	<b>\$1,228,500</b>	<b>\$3,685,500</b>

## FISCAL ANALYSIS

### ASSUMPTION

Officials from the **Office of Administration** assume the current proposal would not fiscally impact their agency.

Officials from the **Joint Committee on Public Employee Retirement (JCPER)** assume this proposal may constitute a substantial proposed change in future plan benefits as defined in Section 105.660(10) RSMo. It is impossible to accurately determine the fiscal impact of this proposed legislation without an actuarial cost statement prepared in accordance with Section 105.665 RSMo. JCPER received an actuarial cost statement associated with the provisions of this proposal from the Special Administrative Board of the Transitional School District of the City of St. Louis.

#### St. Louis Public School Retirement System (as of January 1, 2015)

Market Value:	\$936,930,500	Funded Ratio: 86%
Actuarial Value:	\$926,905,797	Funded Ratio: 85%
Liabilities:	\$1,093,593,248	

#### Annual Required Contribution Rate (2016):

Employer:	15.14%	\$37,210,752 (estimated)
Employee:	<u>5.00%</u>	<u>\$12,284,979</u> (estimated)
Total:	20.14%	\$49,495,731 (estimated)

Covered Payroll:	\$245,699,583	
Membership:	Active - 5,011	Inactive - 6,636

Officials from the **Public School Retirement System of the City of St. Louis (PSRSSTL)** assume this proposal constitutes a substantial proposed change within 105.660 and 105.670 RSMo. The Retirement System believes that the decrease in the age requirement and conversion from a "Rule of 85" to a "Rule of 80" would exceed the .25% threshold in 105.660 RSMo and would require increased employer contributions in addition to the increased employee contributions provided for elsewhere in this proposal.

In addition, according to the PSRSSTL this proposal will reduce the amount of pension benefits for all employed members beginning with service credit earned on and after January 1, 2017. The multiplier will be lowered from 2% to 1.75% for credited service earned. Further, this proposal will cause a two-tiered pension benefit calculation for current employed members due to the schism created by the reduced pension multiplier.

ASSUMPTION (continued)

The final provision reduces the amount of contributions paid to the PSRSSTL by its employers. While increasing the amount of contributions employees (.5% annually until reaching 9%) pay to the PSRSSTL, this proposal will at the same time lower the annual employer contribution to a rate not allowed to exceed 9% of covered compensation. According to the actuarial cost statement the proposed change will impair the ability of the plan to meet the obligations due to the employer contribution being lower than the actuarially determined contribution in years when the contribution statutory employer contribution rate is lower than the actuarially determined contribution.

<u>FISCAL IMPACT - State Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2017 (10 Mo.)	FY 2018	FY 2019
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**LOCAL SCHOOL DISTRICTS**

<u>St. Louis City Public School District -</u> Change in Employer Contributions	<u>\$0</u>	<u>\$1,228,500</u>	<u>\$3,685,500</u>
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<b>ESTIMATED NET EFFECT ON LOCAL SCHOOL DISTRICTS</b>	<b><u>\$0</u></b>	<b><u>\$1,228,500</u></b>	<b><u>\$3,685,500</u></b>
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

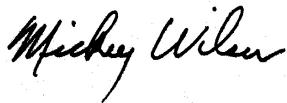
### FISCAL DESCRIPTION

This proposal changes the laws regarding the Public School Retirement System of the City of St. Louis.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

### SOURCES OF INFORMATION

Joint Committee on Public Employee Retirement  
Public School Retirement System of the City of St. Louis  
Office of Administration



Mickey Wilson, CPA  
Director  
May 9, 2016

Ross Strobe  
Assistant Director  
May 9, 2016